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Additional Information About the Alternative Spending Path for Military Operations in Iraq and Afghanistan and for the War on Terrorism

September 22, 2006

The Congressional Budget Office's (CBO's) August 2006 baseline includes spending of appropriations provided in fiscal year 2006 for U.S. military operations in Iraq and Afghanistan and for other efforts in the war on terrorism. As specified in the Balanced Budget and Emergency Deficit Control Act of 1985, those 10-year baseline projections are based on the assumption that the current year's discretionary budget authority would be provided in each future year through 2016, with adjustments to reflect projected inflation. Less funding would be needed if the Department of Defense (DoD) was able to reduce the number of deployed troops.

In its recent report, *The Budget and Economic Outlook: An Update* (August 2006), CBO illustrated the potential effect that decreased spending for those military activities could have on the deficit by presenting one possible alternative scenario for future military operations in Iraq and Afghanistan and the war on terrorism.¹ The scenario, described in more detail here, is one of many possible outcomes and should not be regarded as an estimate of actual war costs or a prediction of how much budget authority DoD will need or request for those activities in the future.

This alternative spending path assumes that military operations in Iraq and Afghanistan and other activities related to the war on terrorism decline gradually from their current levels, reaching a steady state after 2010. Under such assumptions, discretionary outlays over the 2007-2016 period would be \$716 billion less than the comparable baseline figures. If the baseline was otherwise unchanged, projected interest on debt would be \$129 billion less than the amount in the current baseline.

In estimating the spending for this scenario, CBO assumed that the number of active duty and reserve personnel deployed to Iraq, Afghanistan, and other overseas locations would decline slightly from the average level of about 220,000 in 2006 to 205,000 in 2007. For the scenario, CBO assumed that the number of troops deployed in support of the war on terrorism would continue to decline—to about 55,000 by 2011—and remain steady at that level for the remainder of the period. Under such an assumption, some troops would be deployed overseas in operations supporting the war on terrorism throughout the 10-year period, but not necessarily in Iraq and Afghanistan.

¹ See Congressional Budget Office, *The Budget and Economic Outlook: An Update* (August 2006), Table 1-8, p. 18.

In addition to reserve military personnel serving overseas, about 60,000 reservists currently serve on active duty in the United States while training for upcoming deployments overseas, performing domestic military operations for homeland security or the stateside duties of some of the active-duty personnel who are deployed overseas. For this alternative scenario, CBO assumed that the number of such reservists would decline to 55,000 in 2007 and would continue to fall to about 20,000 by 2010, remaining at that level thereafter. CBO also assumed that over the next few years, the number of military personnel on active duty would remain above levels requested in the regular budget submission for the Department of Defense. The costs associated with maintaining those levels—projected at about 15,000 active-duty personnel for 2007 and declining numbers thereafter, until reaching zero by 2011—are included in CBO's projections of spending for the alternative path.

CBO estimated the costs for this alternative path on the basis of enacted appropriations for fiscal year 2006, adjusting those appropriated amounts to account for inflation and the changes in personnel levels assumed to occur through 2016. On that basis, funding of about \$480 billion would be required over the 2007-2016 period to support military operations and other defense activities under that scenario, CBO estimates. Those budget authority figures include about \$80 billion to repair and replace equipment that would be worn out, damaged, or destroyed.

This alternative path includes funding only for defense activities and indigenous security forces. It does not incorporate any changes, relative to the current baseline, in the budget authority provided for diplomatic operations, foreign aid, or veterans' programs.

Additional Information About the Alternative Spending Path for Military Operations in Iraq and Afghanistan and for the War on Terrorism Presented in CBO's August 2006 Budget and Economic Outlook: An Update

	Billions of dollars, by fiscal year										Total, 2007- 2016
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Projected Funding for Military Operations in CBO's August 2006 Baseline											
Budget authority	119	121	123	126	128	131	133	136	139	141	1,297
Outlays	56	99	116	122	126	128	131	134	136	140	1,188
Alternative Spending Path											
Budget authority	110	90	65	40	32	29	29	29	29	30	483
Outlays	55	90	80	55	39	33	31	30	29	30	472
Difference Between Alternative Spending Path and CBO's August 2006 Baseline											
Budget authority	-9	-31	-58	-86	-96	-102	-104	-107	-110	-111	-814
Outlays	-1	-9	-36	-67	-87	-95	-100	-104	-107	-110	-716
Memorandum:											
Change in Debt Service for Alternative Spending Path	*	*	-1	-4	-8	-12	-17	-23	-29	-35	-129
Assumed Troop Levels (Annual average)											
Deployed personnel ^a	205,000	155,000	105,000	65,000	55,000	55,000	55,000	55,000	55,000	55,000	
Mobilized reserves in the United States	55,000	50,000	35,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	
Personnel on active duty in excess of budgeted levels	15,000	15,000	10,000	5,000	0	0	0	0	0	0	

Source: Congressional Budget Office.

Notes: * = Between -\$500 million and zero.

This alternative assumes an eventual slowdown of U.S. military activities in Iraq and Afghanistan but continued spending for the war on terrorism throughout the projection period. It also includes funding for replacing damaged, destroyed, or worn-out equipment. This alternative path includes funding only for defense activities and indigenous security forces. It does not encompass funding for diplomatic operations, foreign aid, or veterans' programs.

a. Assumes 185,000 troops deployed in and around Iraq and 20,000 troops deployed in and around Afghanistan in 2007.
